GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1297
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IMPLEMENTATION OF RBI GUIDELINES BY BANKS
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Will the Minister of FINANCE be pleased to state:

(a) the mechanism available to ascertain compliance of the guidelines of the Reserve Bank of India and the Government by the banks;

(b) the number of banks found violating such guidelines of the Reserve Bank of India and the Government during the last three years, bank-wise; and

(c) the action taken by the Government on these Banks for non-compliance of guidelines during the last three years?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF Finance (Shri Pawan Kumar Bansal)

(a) The Banking Regulation Act, 1949 provides the legal framework for regulation and supervision of banks in India. The statute, together with provisions in the Reserve Bank of India Act, 1934, empowers Reserve Bank of India (RBI) with extensive powers to prescribe standards and monitor liquidity, solvency and soundness of banks with the aim of ensuring that the interests of depositors and other stakeholders are protected at all times. Further, RBI has statutory mandate to impose penalty on banks, wherever the non-compliance or acts of omission and commission by the banks are observed and so warranted. The main instruments of supervision and monitoring over banks, inter-alia, include On-site supervision, Off-site monitoring and Surveillance, Statutory / concurrent audit, monthly monitoring of weak banks, quarterly informal discussions, disclosure norms, seeking information from the banks through various reports / periodical returns, etc.

(b) & (c): During the last three years, RBI has imposed penalties on 14 banks for violating RBI guidelines / instructions such as Know Your Customer (KYC) norms, Anti-money Laundering (AML) Standards, abetting the manipulation of IPO process, financing against shares and / or for investment in IPOs, inadequate internal control mechanism, etc., as per list below:-

	2004-05	2005-06	2006-07
1.	UCO Bank	State Bank of Indore	Tamilnad Mercantile Bank Ltd.
2.	Bank of America NA	Indian Overseas Bank	Centurion Bank of Punjab ltd.
3.	Citibank NA	IDBI Limited	IDBI Bank Ltd
	Vijaya Bank		
	ING Vyasya Bank Ltd.		
	Bharat Overseas Bank Ltd.		
	ICICI Bank Ltd.		
	HDFC Bank Ltd.		
	Standard Chartered Bank Ltd.		
	Citibank Ltd.		